MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

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FINAL EXAMINATION

SS 6, 2016/ 2017

BEG8014 – ETHICS AND GOVERNANCE

(DBA)

17 JUNE 2017
10.00 a.m – 1.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SEVEN (7)** pages (including the cover page).

2. Answer **ALL** questions. The marks distributions are given in parentheses.

3. Write all your answers in the **Answer Booklet** provided.

QUESTION ONE

Read the following case, and then answer the given questions.

Lessons from India's greatest industrial disaster with serious consequences for the environment remain unlearnt
by Vidya Venkat

Come December, it will be 30 years since the Bhopal gas tragedy occurred. The leakage of the deadly methyl isocyanate gas from the Union Carbide Corporation (UCC) factory in Bhopal went down in history as one of the worst industrial disasters in the world. But after all these years, has anything changed in India with regard to adoption of environmental safeguards before promoting industries and related projects? More important, what is the fate of the victims of polluting industries?

Tragedy continues

According to a January 2013 report of the Indian Institute of Toxicology Research, Lucknow, the soil and groundwater within 3.5 kilometres from the UCC factory site is contaminated with cancer- and birth defect-causing chemicals. "The contamination of soil and groundwater actually predates the disaster," says activist Satinath Sarangi, who has fought for the cause of gas leak survivors.

"From 1969 to 1977, Union Carbide used to dump its toxic wastes at 21 spots, most of them unlined pits, inside the 68-acre factory premises. Despite 17 agencies, including government and non-governmental organisations, carrying out studies over the past two decades, a comprehensive plan for remediation of the soil and groundwater has not been prepared," he says.

On Friday, October 31, when the news of Warren Anderson's death spread across Bhopal, survivors of the tragedy got together to spit on a photograph of the former UCC CEO, the first accused in the case and a fugitive from justice. Survivors are unhappy with the court proceedings and compensation. "While over 25,000 people have died in the disaster, the government has paid compensation for only 5,295 deaths. The government acknowledged in June 2010 that the compensation it accepted from Union Carbide was indeed inadequate. Following this, both the Central and State governments have filed curative petitions in the Supreme Court seeking additional compensation of $1.2 billion," Mr. Sarangi says.

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Rashida Bee, president, Bhopal Gas Peedit Mahila Stationery Karmachari Sangh, says three generations of gas leak victims have suffered, with their children being born with disabilities but little was done by the government to help victims and to give medical assistance to their families. Through the Chingari Punarvaas Kendra, run by Ms. Bee and her survivor friends, nearly 750 children are now being treated with the money that came with the Goldman Environmental Prize in 2004.

Lessons not learnt

Lessons from the tragedy have not been taken seriously. Environmental activist Nityanand Jayaraman says key lessons such as choosing appropriate sites for projects are violated to this day. "Take the proposed Cheyyur thermal power project in Tamil Nadu, for instance. If the power plant pollutes the land and waterbodies, who will compensate affected local communities?" he asks. "Another example is the Gorakhpur nuclear power project planned in Fatehabad. Located close to dense human habitations, the project has already raised several concerns," he says.

Disaster response is another important lesson. "In Japan, even small children know how to respond to a disaster such as earthquake, but go to Kudankulam and the local villagers know very little about how to respond to any radiation leak," he says. The lack of preparedness in the face of hazardous pollution shows in the case of mercury pollution in Kodaikanal. Mahendra Babu, president, Ponds HLL Ex-Mercury Workers' Welfare Association, said that in 2001, the Kodaikanal mercury thermometer factory of Hindustan Unilever Ltd. (then Hindustan Lever) shut down, but 36 ex-workers of the factory died from hazardous exposure to mercury. "In the past 10 years, 11 committees, including a Supreme Court-monitored committee, has been set up to redress grievances arising out of the pollution from the factory. No thorough clean-up of the factory site has been done as yet," he says.

No prosecution

Environmental lawyer and activist T. Mohan says there are hardly any cases of prosecution of environmental crime by corporate firms in India. "In India, ex post facto clearances are being given to projects by polluting firms. Environmental Impact Assessment notifications, which are supposed to be issued prior to the undertaking of projects, are being issued after the projects are executed," he says. Although the Supreme Court has come down heavily on some instances of violations, government authorities have been quite lax in these matters, he adds.

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Mr. Mohan cites the example of the Loss of Ecology Authority (LEA), a tribunal set up to award compensation for farmers affected by polluting industries, to demonstrate how settlement of legal compensation for victims of industrial pollution has not worked out. "The chairman of the LEA resigned a few months ago. The tribunal is rudderless and dysfunctional. Even when compensation was offered to victims of industrial pollution, the sum was paltry. Farmers from Karur in Tamil Nadu were offered as low as Rs. 5-7 a hectare of damaged land," he says. With Anderson dead and having escaped imprisonment, Bhopal gas leak victims continue to suffer; Ms. Bee strikes a note of caution. "The new government should think about the consequences of going head over heels to woo industry without paying sufficient attention to the poor institutional response mechanisms in the event of an environmental disaster."

Source:http://www.thehindu.com/sunday-anchor/30-years-after-the-bhopal-gas-tragedy/article6555780.ece [Access on 7th May 2017]

Required:

a. Evaluate Bhopal tragedy from utilitarianism, right, fairness, and virtue ethics principles. **(24 marks)**

b. Assess how models of management ethics in business organisation could help in curbing similar incident like Bhopal tragedy in future. **(16 marks)**

[Total: 40 marks]

QUESTION TWO

a. Elaborate the roles of institutional investors in strengthening corporate citizenship behaviour of investee firms. **(10 marks)**

b. Evaluate the roles of company board in enhancing risk management culture in the company. **(10 marks)**

[Total: 20 marks]

Continued…

QUESTION THREE

Read the following news, and answer the given questions.

Enron, Ethics and Today's Corporate Values
by Ken Silverstein

Enron's heyday has long ended. But its lessons will long endure. The global business community is now watching a painful new chapter is this saga -- one where its former high-riding chief executive officer, Jeff Skilling, is getting a decade shaved off of his prison term that should now end in 2017. The company's failure in 2001 represents the biggest business bankruptcy ever while also spotlighting corporate America's moral failings. It's a stark reminder of the implications of being seduced by charismatic leaders, or more specifically, those who sought excess at the expense of their communities and their employees. In the end, those misplaced morals killed the company while it injured all of those who had gone along for the ride. "Just as character matters in people, it matters in organizations," says Justin Schultz, a corporate psychologist in Denver.

Surely, if there are profits to be made, some type of scheme that attempts to skirt the law or even cross boundaries will occur. It's been that way throughout history. But with each passing scandal, new rules and codes emerge that surpass those of the past. And while Enron won't be the last case of corporate malfeasance, its tumultuous tale did initiate a new age in business ethics. Enron, once a sleepy natural gas pipeline company, grew to become the nation's seventh largest publicly-held corporation. But its shoddy business practices, aided by bankers and advisors feeding from the gravy train, brought down the company in December 2001. Altogether, 16 former Enron execs including Skilling had been sentenced to prison. Its former chairman, Ken Lay, was also convicted but because he passed away before his guilty verdict could be appealed, that case was thrown out. Now, though, an appeals court has reduced Skilling's sentencing because it said that the trial court had miscalculated the codified penalty. A lot of people have suffered, not the least of who are the shareholders and pensioners who lost it all. It was a sad "ending" to what had appeared to be a promising beginning to the New Economy in which the internet age would spread wealth and create jobs throughout the social spectrum.
Source: https://www.forbes.com/sites/kensilverstein/2013/05/14/enron-ethics-and-todays-corporate-values/#58fc21f15ab8 [Access: 7th May 2017]

Required:

After analysing the Enron news, write a memo to the board chairman highlighting good governance principles and practices that could be adopted in order to strengthen company's integrity level. **(20 marks)**

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QUESTION FOUR

Read the extract explaining TM Group – Malaysian leading telecommunication company commitment towards greater corporate responsibility. Then answer the given questions.

> *"As a leading telecommunications service provider with an extensive network that reaches out to every corner and almost every citizen in the country, we are indeed privileged to be able to make such noble contribution at Workplace, Marketplace, Community, and Environment. We make a genuine effort to engage with our stakeholders through various formal and informal channels as we believe it is important to understand their needs and concerns on any matter related to our services and operations. We highly value two-way communication as we seek to understand our stakeholders' expectations and manage them effectively to achieve sustainable long-term relationships."*

Source:https://www.tm.com.my/AboutTM/CorporateResponsibility/Pages/Home.aspx [Access on 7th May 2017]

Required:

a. Offer suggestion to TM Group in strengthening its corporate responsibility by adopting the corporate social responsibility pyramid principles by Carrol (1991). **(10 marks)**

b. Offer advice to TM Group in enhancing its stakeholders' engagement by adopting the principles of stakeholder management. **(10 marks)**

[Total: 20 marks]

End of Paper